

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

**Financial Statements and
Supplemental Data**

December 31, 2012

**DURANT MUNICIPAL ELECTRIC PLANT
Durant, Iowa**

C O N T E N T S

OFFICIALS

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DURANT MUNICIPAL ELECTRIC PLANT
Durant, Iowa
Officials

BOARD OF TRUSTEES

NAME	TITLE	TERM EXPIRES
Harlen Bland	Chairman	December 31, 2013
Brad Mumm	Board Member	December 31, 2015
Dave Krohn	Board Member	December 31, 2017

OFFICIALS

NAME	TITLE
Tamara R. Allison	General Manager
Joel Meincke	Superintendent

HUCKFELDT & SMITH

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIABILITY COMPANY

Randy L. Linn, CPA
David A. Schebler, CPA
Randall B. Sovey, CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Durant Municipal Electric Plant
Durant, Iowa

We have audited the accompanying financial statements of the Durant Municipal Electric Plant, a component unit of the City of Durant, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditors Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Durant Municipal Electric Plant, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

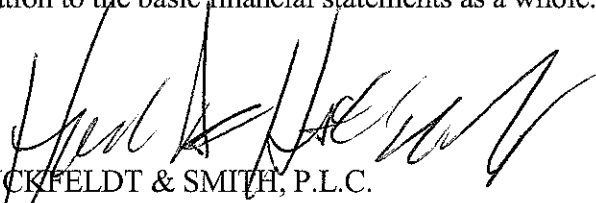
In accordance with *Government Auditing Standards*, we have issued our report dated May 31, 2013 on our consideration of the Municipal Electric Plant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including those systems applicable to the Municipal Electric Plant. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Electric Plant's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Durant Municipal Electric Plant's basic financial statements. Schedules A-1 through B-1 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Trustees
Durant Municipal Electric Plant
Page Three

Schedules A-1 through B-1 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules A-1 through B-1 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



HUCKFELDT & SMITH, P.L.C.
Bettendorf, Iowa
May 31, 2013

**DURANT MUNICIPAL ELECTRIC PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Durant Municipal Electric Plant provides this Management's Discussion and Analysis of its financial statements as an overview and analysis of the financial performance of the Utility. This narrative analysis of the financial activities is for the year ended December 31, 2012. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

This Discussion and Analysis is intended to serve as an introduction to the basic financial statements.

FINANCIAL HIGHLIGHTS

- ❑ The Utility's operating revenues decreased 2.6%, or \$47,190 from 2011 to 2012.
- ❑ The Utility's non-payroll generating costs were 1.4%, or \$13,309, higher in 2012 than in 2011.
- ❑ The Utility's payroll costs were 7.5%, or \$30,301 higher in 2012 than in 2011.
- ❑ The Utility's net position decreased 4.3%, or \$122,047 from 2011 to 2012.
- ❑ The Utility's operating expenses increased 2.7%, or \$42,862 from 2011 to 2012.
- ❑ The Utility's depreciation expense decreased .4%, or \$1,024 from 2011 to 2012.
- ❑ The Utility's interest expense decreased 20.6%, or \$4,567 from 2011 to 2012.

USING THIS ANNUAL REPORT

This annual report includes the Management's Discussion and Analysis, the Independent Auditors' Report, the basic Financial Statements and Supplementary Information; the financial statements also include notes that explain in more detail information in the basis financial statements.

The Durant Municipal Electric Plant is an Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is a similar measurement focus and basis of accounting employed by private sector business enterprises. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

The Statement of Net Position presents information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

DURANT MUNICIPAL ELECTRIC PLANT

Management's Discussion and Analysis

December 31, 2012

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for enterprise funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the Utility's financial position.

FINANCIAL ANALYSIS OF THE UTILITY

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net position at December 31, 2012 totaled \$2,677,296. This compares to \$2,796,347 at December 31, 2011. A summary of the Utility's net assets is presented below.

Net Position		
	December 31,	
	2012	2011
Current Assets:	\$ 683,404	\$ 766,334
Restricted Cash and Investments	639,982	639,157
Capital Assets at Cost, Less Accumulated Depreciation	2,105,801	2,201,529
Total Assets	3,429,187	3,607,020
Current Liabilities:	218,753	210,399
Noncurrent Liabilities	533,138	600,274
Total Liabilities	751,891	810,673
Net Position		
Invested in Capital Assets, Net of Related Debt	1,527,114	1,556,808
Unrestricted	1,150,182	1,239,482
Total Net Position	\$ 2,677,296	\$ 2,796,290

The net position invested in capital assets e.g., land, buildings and equipment, less the related debt portion of net position which are resources allocated to capital assets, is 57.0% of net position. The remaining net position, 43.0%, are the unrestricted net position that can be used to meet the Utility's obligations as they come due.

DURANT MUNICIPAL ELECTRIC PLANT

Management's Discussion and Analysis

December 31, 2012

Changes in Net Position		
	Year Ended December 31	
	2012	2011
Operating Income	\$ 1,737,952	\$ 1,785,142
Operating Expenses	(1,640,714)	(1,597,852)
Operating Profit	97,238	187,290
Other Income	44,484	37,061
Other Expenses	(260,773)	(264,426)
Net Change in Position	<u>\$ (119,051)</u>	<u>\$ (40,075)</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a negative year with a decrease in the net assets at the end of the fiscal year.

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes electric generation & distribution fees reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

CAPITAL ASSETS

The Utility's capital assets include land, buildings, vehicles, machinery and equipment, tools and distribution system. Capital assets totaled \$2,105,801 (net of accumulated depreciation) at December 31, 2012. Additional information of the Electric Utility's assets can be found in Schedule A-3 in this report.

DURANT MUNICIPAL ELECTRIC PLANT

Management's Discussion and Analysis

December 31, 2012

LONG TERM DEBT

At December 31, 2012, the Utility had \$578,687 in debt outstanding, a decrease of \$66,034 from 2011. The table below summarizes outstanding debt by type:

	December 31,	
	2012	2011
Bonds Payable - See Note 9	\$ 578,687	\$ 644,721

ECONOMIC FACTORS

The Durant Municipal Electric Plant maintained its financial position during the current year. However, the current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- ❑ Facilities require constant maintenance and upkeep. The Utility is currently updating its generating facilities.
- ❑ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The Utility anticipates the current year will be much like the last and will maintain a close watch over resources to maintain the Utility's ability to react to unknown issues.

CONTACTING THE UTILITY'S MANAGEMENT

This financial report is designed to provide our constituents with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional information, contact Durant Municipal Electric Plant, 601 4th Street, Durant, Iowa 52747

DURANT MUNICIPAL ELECTRIC PLANT
FINANCIAL STATEMENTS

EXHIBIT A

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Statement of Net Position
December 31, 2012

ASSETS

2012

CURRENT ASSETS:

Cash on Hand	\$ 200
Cash in Bank - General Fund	199,711
Money Market	148,575
Deposit with Iowa Public Agency Investment Trust	59
Customer Accounts Receivable	156,735
Accrued Interest Receivable	1,010
Material & Supplies Inventory - Note 1	165,868
Fuel Inventory - Note 1	11,246
Total	<u>683,404</u>

INVESTMENTS AND FUND ACCOUNTS:

Certificates of Deposit-Schedule A-2 Note 5	605,000
Meter Deposit Fund - Investments - Note 5	6,336
Meter Deposit Fund - Checking	23,760
Prepaid Bonding Costs	4,886
Total	<u>639,982</u>

ELECTRIC PLANT: - Note 1

Intangible Plant	175,621
Production Plant	2,544,083
Transmission Plant	151,967
Distribution Plant	738,473
General Plant	460,929
Radiator	135,829
Substation	1,003,605
Total	<u>5,210,507</u>
Less: Accumulated Provision for Depreciation	<u>(3,104,706)</u>
Total - Schedule A-3	<u>2,105,801</u>

TOTAL ASSETS

\$ 3,429,187

See Notes to Financial Statements.

EXHIBIT A

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Statement of Net Position
December 31, 2012

LIABILITIES AND NET POSITION

	<u>2012</u>
CURRENT LIABILITIES:	
Accounts Payable	\$ 82,688
Sales and Use Tax Payable	5,383
Customer Meter Deposits	27,402
Accrued Interest on Meter Deposits	2,930
Accrued Payroll	6,495
Accrued Vacation and Sick Pay - Note 8	28,236
Prepaid Rent	560
Accrued Interest on Bonds	1,238
Current Portion of Long Term Debt	63,821
Total	<u>218,753</u>
NON-CURRENT LIABILITIES:	
Other Post Employment Benefits	18,272
Long Term Debt - Net of Current Portion Above	514,866
Total	<u>533,138</u>
TOTAL LIABILITIES	<u>751,891</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	1,527,114
Unrestricted	1,150,182
TOTAL NET POSITION	<u>2,677,296</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,429,187</u>

See Notes to Financial Statements.

EXHIBIT B**DURANT MUNICIPAL ELECTRIC PLANT**

Durant, Iowa

Statement of Revenues, Expenses and Changes in Net Position with Comparison to Budget
For the Year Ended December 31, 2012

	Actual 2012	Budget 2012
OPERATING INCOME:		
Residential Sales	\$ 1,047,924	\$ 916,200
Commercial and Industrial	139,484	166,500
Power	497,618	736,900
Municipal	52,030	59,000
Security Lite	896	1,800
Total	1,737,952	1,880,400
OPERATING EXPENSES:		
Production Expense	1,082,896	1,175,100
Distribution Expense	196,415	276,500
Customer Accounts Expense	110,544	117,200
Administrative Expense	250,859	259,340
Total	1,640,714	1,828,140
OPERATING PROFIT	97,238	52,260
NON-OPERATING INCOME:		
Interest from Investments	3,629	25,900
Penalties	1,760	2,300
Patronage Dividends	17,590	13,000
Other	16,970	73,104
Pole Rental	4,535	4,700
Total	44,484	119,004
NON-OPERATING EXPENSES:		
Depreciation	237,787	85,900
Interest Expense	17,597	21,770
Bad Debts	0	300
Miscellaneous	5,389	2,000
Total	260,773	109,970
CHANGE IN NET POSITION	(119,051)	\$ 61,294
NET POSITION DECEMBER 31, 2011	2,796,347	
NET POSITION DECEMBER 31, 2012	\$ 2,677,296	

See Notes to Financial Statements.

EXHIBIT C

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Statement of Cash Flows

For the Year Ended December 31, 2012

	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers for Electrical Service	\$ 1,745,652
Cash Received for Other Charges and Misc Income	91,634
Cash Paid to Suppliers for Generation and Distribution Services	(1,094,302)
Cash Paid to and for Employees for Services	(424,253)
Cash Paid to Suppliers for Administrative and General Services	(34,546)
Cash Paid for Sales Taxes	<u>(121,206)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>162,979</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(142,059)
Interest Disbursed on Bonds	<u>(21,435)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(163,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Collected	6,559
Principal Payment on Bonds	<u>(66,034)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(59,475)</u>
NET DECREASE IN CASH	(59,990)
CASH & EQUIVALENTS BALANCE AT BEGINNING OF YEAR	<u>432,295</u>
CASH & EQUIVALENTS BALANCE AT END OF YEAR	<u><u>\$ 372,305</u></u>
<u>Reconciliation of Net Change in Net Position to Cash Provided by Operating Activities</u>	
Net Operating Profit	\$ 97,238
Adjustments to Reconcile Net Change in Net Position to Net Cash Provided by Operating Activities	
Patronage Dividends	17,590
Other Income	23,265
Other Deductions	(5,389)
Decrease in Non-Cash Current Assets	24,857
Increase in Current Liabilities	5,418
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 162,979</u></u>

See Notes to Financial Statements.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Measurement Focus and Basis of Accounting:

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing business. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Durant Municipal Electric Plant applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures. In addition, Durant Municipal Electric Plant may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Reporting Entity:

For financial reporting purposes, Durant Municipal Electric Plant has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Municipal Electric Plant has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship are such that exclusion would cause the financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Durant Municipal Electric Plant. The Durant Municipal Electric Plant has no component units which meet the Governmental Accounting Standards Board criteria.

The Utility is a component unit of the City of Durant.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting:

The accounts of Durant Municipal Electric Plant are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus:

Enterprise funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on the balance sheet. The operating statement presents increases (revenue) and decreases (expenses) in net position.

In reporting the financial activity of its enterprise fund, the Durant Municipal Electric Plant applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Budgets and Budgetary Accounting:

In accordance with the Code of Iowa, the utility annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Investments:

Investments consist of CD's and are valued at cost plus any interest earned that is added to the security. Investments are stated at cost.

Accounts Receivable:

Accounts receivable are recorded at the time the service is billed. Billing dates are typically near month end.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventories:

Inventories are valued at the lower of cost or market using the first-in, first-out method. Inventories consist of materials and supplies to be used in production and distribution construction and maintenance as well as oil to be used for generation. Inventories are expensed or capitalized when used.

Capital Assets:

Electric Plant assets were established from a survey report by Fulton & Cramer, Consulting Engineers, as of September 30, 1968. The basis of valuation was "Reproduction Cost Net of Depreciation". A copy of the Consulting Engineers' report contained detailed explanations of valuation and depreciation procedures, and is on file in the office of the Electric Plant. Fixed asset additions after September 30, 1968, are recorded at historical cost.

Depreciation:

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized.

Assets, Liabilities and Net Position:

The following accounting policies are followed in preparing the Statement of Net Position:

Net Position – Net position represent the difference between assets and liabilities in the financial statements. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Cash, Investments and Cash Equivalents – The Durant Municipal Electric Plant considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Durant Municipal Electric Plant as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 10,000
Equipment and vehicles	2,500

Capital assets of the Durant Municipal Electric Plant are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40-50
Building improvements	20-50
Equipment and vehicles	02-20

Compensated Absences – Durant Municipal Electric Plant employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Durant Municipal Electric Plant's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2012.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – ORGANIZATION:

Durant Municipal Electric Plant is organized as a municipal utility. It is operated under the control of a Board of Trustees, who are appointed by the Mayor and approved by the City Council. The Board has three members who serve six-year terms on a two year staggered basis.

Note 3 - CASH FLOWS DISCLOSURE:

Included in the Financial Statements for 2012 is \$6,559 of interest received.

The Utility disbursed \$21,435 in interest during 2012.

Cash and Cash Equivalents consist of Cash on Hand; Cash in Bank - General Fund, Money Market, and Meter Deposit Fund-Checking.

Cash Balances consist of the following:

Cash on Hand	\$	200
Cash in Bank-General Fund		199,711
Money Market		148,575
Deposit with Public Agency Trust		59
Meter Deposit Fund-Checking		23,760
	\$	<u>372,305</u>

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 4 - CONCENTRATION OF CREDIT RISK:

Durant Municipal Electric Plant provides commercial and residential electric services to customers in Durant, Iowa. Receivables are from customers with locations in Durant, Iowa and collection of these receivables is dependent on the performance of the local economy.

Note 5 - BANK ACCOUNTS AND INVESTMENTS:

The Durant Municipal Electric Plant's bank accounts and investments at December 31, 2012 were entirely covered by Federal depository insurance, or by the Iowa State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Municipal Electric Plant is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants and improvement certificates of a drainage district.

The Durant Municipal Electric Plant had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

The Municipal Electric Plant's investments at December 31, 2012 consist of Certificates of Deposit at Liberty Trust and Savings Bank, and one Money Market account at Liberty Trust and Savings Bank as follows:

	<u>Carrying Value</u>
Certificates of Deposit	\$ 605,000
Meter Deposit Fund	<u>6,336</u>
Total CD's	611,336
Money Market Accounts	<u>148,575</u>
Total	<u><u>\$ 759,911</u></u>

Book value and market value are the same.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 6 - PENSION AND RETIREMENT BENEFITS:

The Municipal Electric Plant is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit retirement system administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

As of December 31, 2012 Plan members are required to contribute 5.38% of their covered salary and the Utility is required to contribute 8.07%. Contribution requirements are established by State statute. The Durant Municipal Electric Plant's contribution to IPERS for the year ended December 31, 2012 was \$25,105, equal to the required contributions for the year.

Note 7 - RISK MANAGEMENT:

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Utility assumes liability for any deductibles and claims in excess of coverage limits.

Note 8 - COMPENSATED ABSENCES:

Utility employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized as liabilities and expensed as accrued. The approximate liability for earned compensated absences payable to employees at December 31, 2012, is as follows:

<u>TYPE OF BENEFIT</u>	<u>AMOUNT</u>
Vacation	\$ 8,942
Sick leave	19,294
TOTAL	<u><u>\$ 28,236</u></u>

This liability has been computed based on rates of pay in effect at December 31, 2012.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 9 - LONG TERM DEBT:

On December 22, 2010 the Utility entered into an agreement with Liberty Trust and Savings Bank to borrow \$700,000. The loan is executed pursuant to Section 384.24A of the Code of Iowa. The note bears interest at 3.5% and is payable in monthly installments of \$6,922.01. The loan matures on December 10, 2020.

Annual debt service requirements are as follows:

Year Ending	Principal	Interest	Total
12-31-13	\$ 63,821	\$ 19,243	\$ 83,064
12-31-14	66,091	16,973	83,064
12-31-15	68,442	14,622	83,064
12-31-16	70,876	12,188	83,064
12-31-17	73,398	9,666	83,064
12-31-18	76,008	7,056	83,064
12-31-19	78,711	4,353	83,064
12-31-20	81,335	1,729	83,064
TOTAL	<u>\$ 578,682</u>	<u>\$ 85,830</u>	<u>\$ 664,512</u>

The loan will only be redeemed from the future earnings of the enterprise activity and the loan is not a general obligation of the city and will not be payable by taxation.

Note 10 – CAPITAL ASSETS:

A summary of capital assets at December 31, 2012 is as follows:

	Balance Beg. of Year	Increase	Decrease	Balance End of Year
Capital Assets Not Being Depreciated	\$ 46,040	\$	\$	\$ 46,040
Capital Assets Being Depreciated	5,047,176	142,059	(24,768)	5,164,467
Total Capital Assets	5,093,216	142,059	(24,768)	5,210,507
Less: Accumulated Depreciation	(2,891,687)	(237,787)	24,768	(3,104,706)
Total Capital Assets, Net	<u>\$ 2,201,529</u>	<u>\$ (95,728)</u>	<u>\$ 0</u>	<u>\$ 2,105,801</u>

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Notes to Financial Statements

Note 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB):

The Utility operates a Single-Employer Benefit Plan which provides medical benefits for employees and their spouses. The benefits are provided through a fully insured plan. Retirees and other separated employees are allowed to stay on the plan for the remainder of the month after separation from service. After this time employees can remain on the plan by paying 100% of their premium for the time allowed by COBRA. Benefits are currently funded on a pay as you go basis.

Note 12 – NEW PRONOUNCEMENTS:

In December 2010, GASB issued Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”* (Statement 62). GASB No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 included in: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements. This statement also supersedes SGAS No. 20 *“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting”* which eliminates the election for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict or contradict GASB pronouncements. This statement is effective for the Utility for 2012. The Utility has assessed the financial statement impact of adopting this statement and its impact is not material.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. This statement is effective for the Utility for 2012. The Utility has assessed the financial statement impact of adopting this statement and its impact is not material.

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Notes to Financial Statements

Note 12 – NEW PRONOUNCEMENTS (Continued):

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*; Statement No. 66, *“Technical Corrections – 2012”* which is an amendment of GASB Statements No. 10 and No. 62; Statement No. 67, *“Financial Reporting for Pension Plans”* which is an amendment of GASB Statement No. 25; and Statement No. 68, *“Accounting and Financial Reporting for Pensions”* which is an amendment of GASB Statement No. 27. Application of these standards may restate portions of these financial statements in future years.

DURANT MUNICIPAL ELECTRIC PLANT

**Supplemental Data
December 31, 2012**

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Schedule of Indebtedness

Year Ended December 31, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due & Unpaid</u>
Electric	12/22/11	3.50%	\$ 700,000	644,721	0	66,034	\$ 578,687	21,435	\$ 1,238
Totals			\$	\$ 644,721	0	\$ 66,034	\$ 578,687	\$ 21,435	\$ 1,238

SCHEDULE A-2

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Schedule of Investments
December 31, 2012

LIBERTY TRUST AND SAVINGS BANK:

<u>Certificates of Deposit</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
# 96108	03/16/13	0.80%	\$ 25,000
# 96436	08/20/13	0.55%	30,000
# 96167	04/22/13	0.80%	80,000
# 95816	10/22/13	0.55%	70,000
# 94279	06/28/13	0.70%	150,000
# 96444	08/28/13	0.55%	50,000
# 96007	01/28/13	0.80%	100,000
# 95254	03/13/13	0.80%	100,000
			<u>100,000</u>
			<u>\$ 605,000</u>

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Schedule of Electric Plant Fixed Assets

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/11</u>	<u>Depreciation Expense 2012</u>	<u>Disposition 2012</u>	<u>Accumulated Depreciation 12/31/12</u>
INTANGIBLE PLANT:					
Organization Expense	\$ 5,000	\$ 0	\$ 0	0	\$ 0
Construction Cost	170,621	170,621	0	0	170,621
Total	<u>175,621</u>	<u>170,621</u>	<u>0</u>	<u>0</u>	<u>170,621</u>
PRODUCTION PLANT:					
Land & Land Rights	32,050	0	0	0	0
Power House & Bldg Improvements	387,903	215,167	14,518	0	229,685
Fuel & Lube Oil System	19,603	19,603	0	0	19,603
Accessory Electric Equipment	61,500	61,500	0	0	61,500
Miscellaneous Plant Equipment	22,758	8,272	635	764	8,143
Generators & Plant Equipment	2,020,269	610,481	120,348	0	730,829
Total	<u>2,544,083</u>	<u>915,023</u>	<u>135,501</u>	<u>764</u>	<u>1,049,760</u>
TRANSMISSION PLANT:					
Clearing Land & Right of Way	500	500	0	0	500
Station Equipment (Transformer)	146,021	146,021	0	0	146,021
Poles & Fixtures	2,349	2,349	0	0	2,349
Overhead Conductors & Devices	3,097	3,097	0	0	3,097
Total	<u>151,967</u>	<u>151,967</u>	<u>0</u>	<u>0</u>	<u>151,967</u>
DISTRIBUTION PLANT:					
Station Equipment (Capacitors & Battery)	178,076	64,127	4,190	5,775	62,542
Poles, Towers & Fixtures	182,297	52,474	4,889	2,203	55,160
Overhead Conductors & Devices	93,013	52,718	1,797	3,678	50,837
Underground Conduit & Conductors	99,846	47,809	1,868	4,166	45,511
Line Transformers	125,617	81,732	8,483	4,169	86,046
Services	11,938	13,264	0	1,326	11,938
Meters	28,035	26,642	615	1,882	25,375
Street Lighting & Signals	7,247	8,040	14	805	7,249
Furnace	12,404	8,380	0	0	8,380
Total	<u>738,473</u>	<u>355,186</u>	<u>21,856</u>	<u>24,004</u>	<u>353,038</u>

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa

Schedule of Electric Plant Fixed Assets

December 31, 2012

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/11</u>	<u>Depreciation Expense 2012</u>	<u>Disposition 2012</u>	<u>Accumulated Depreciation 12/31/12</u>
GENERAL PLANT:					
Office Furniture & Fixtures	\$ 100,529	\$ 78,403	\$ 5,956	\$ 0	\$ 84,359
Transportation Equipment	304,376	271,390	32,984	0	304,374
Stores Equipment	7,047	4,417	1,315	0	5,732
Shop Equipment	23,370	23,370	0	0	23,370
Laboratory Equipment	3,875	3,875	0	0	3,875
Tools & Work Equipment	21,732	17,800	445	0	18,245
Total	<u>460,929</u>	<u>399,255</u>	<u>40,700</u>	<u>0</u>	<u>439,955</u>
RADIATOR:					
Radiator	117,500	116,382	1,118	0	117,500
Studies	18,329	18,117	202	0	18,319
Total	<u>135,829</u>	<u>134,499</u>	<u>1,320</u>	<u>0</u>	<u>135,819</u>
SUBSTATION:					
Land & Land Clearing	8,990	0	0	0	0
Engineering & Legal	28,822	28,822	0	0	28,822
Aerial Lines	5,111	5,111	0	0	5,111
Outdoor Substation	727,541	569,043	31,311	0	600,354
Reclosure	120,481	49,500	7,099	0	56,599
Transformer	103,016	103,016	0	0	103,016
Feasibility Studies	9,644	9,644	0	0	9,644
Total	<u>1,003,605</u>	<u>765,136</u>	<u>38,410</u>	<u>0</u>	<u>803,546</u>
TOTALS	<u>\$ 5,210,507</u>	<u>\$ 2,891,687</u>	<u>\$ 237,787</u>	<u>\$ 24,768</u>	<u>\$ 3,104,706</u>

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Schedule of Cash Balances
December 31, 2012

SCHEDULE A-4

Cash on Hand	\$	200
Cash in Bank - General Fund		199,711
Money Market		148,575
Deposit with Public Agency Investment Trust		59
Meter Deposit - Checking		<u>23,760</u>
Total	\$	<u><u>372,305</u></u>

DURANT MUNICIPAL ELECTRIC PLANT

Schedule of Cash Balance Composition

December 31, 2012

	<u>Demand Deposits</u>	<u>Time Deposits & Investments</u>	<u>Total</u>	<u>Maximum Authorized Deposit</u>
<u>Depository</u>				
<u>Liberty Trust & Savings</u>				
<u>Durant, Iowa:</u>				
General	\$ 348,286	\$ 605,000	\$ 953,286	
Customer Deposits	<u>23,760</u>	<u>6,336</u>	<u>30,096</u>	
Total	<u>\$ 372,046</u>	<u>\$ 611,336</u>	<u>\$ 983,382</u>	<u>\$ 2,000,000</u>

SCHEDULE B-1**DURANT MUNICIPAL ELECTRIC PLANT**

Durant, Iowa

Detail Schedule of Operating Expenses and Comparison to Budget
For the Year Ended December 31, 2012

	2012	Unaudited Budget
PRODUCTION EXPENSES:		
Labor	\$ 88,536	\$ 71,400
Fuel	6,640	10,000
Lubrication	0	200
Maintenance	18,364	99,100
Purchased Power	943,199	959,900
Insurance	13,966	13,600
Uniform Rental	5,580	4,200
Tools	3,378	5,500
Safety Expenses	3,233	11,200
Total	1,082,896	1,175,100
DISTRIBUTION EXPENSES:		
Supervision & Labor	108,910	101,900
Stock	48,994	23,000
Maintenance	19,389	128,000
Truck & Transportation	5,156	10,000
Insurance	13,966	13,600
Total	196,415	276,500
CUSTOMER ACCOUNTS EXPENSES:		
Meter Reading Labor	7,996	7,400
Office Salaries	51,613	58,700
Miscellaneous Supplies	9,824	7,100
Warehouse Expense	658	1,500
Energy Efficient	8,601	10,700
Insurance	6,983	6,800
Metering	24,869	25,000
Total	110,544	117,200
ADMINISTRATIVE EXPENSES:		
Salaries & Wages	44,218	43,100
Payroll Taxes	47,477	32,400
Employee Benefits	85,055	75,300
Trustee Fees	680	940
Community Service	438	3,200
Professional Services	30,917	26,700
Dues, Subscriptions & Meetings	5,821	6,000
Office Maintenance	6,166	8,800
Telephone	7,209	8,000
Engineering	19,981	48,700
Publications	1,325	1,300
Miscellaneous	1,572	4,900
Total	250,859	259,340
TOTAL OPERATING EXPENSES	\$ 1,640,714	\$ 1,828,140

SCHEDULE A-6

DURANT MUNICIPAL ELECTRIC PLANT

Durant, Iowa
Schedule of Maturities
December 31, 2012

<u>Year Ended</u> <u>December 31</u>	<u>Issue Date 12-22-10</u>	
	<u>Interest Rate</u>	<u>Amount</u>
2013	3.5 %	\$ 63,821
2014	3.5	66,091
2015	3.5	68,442
2016	3.5	70,876
2017	3.5	73,397
2018	3.5	76,007
2019	3.5	78,711
2020	3.5	81,342
TOTAL		<u><u>\$ 578,687</u></u>

**Independent Auditor's Report on
Internal Control over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
In Accordance With
Government Auditing Standards**

Randy L. Linn, CPA
David A. Schebler, CPA
Randall B. Sovey, CPA

HUCKFELDT & SMITH

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIABILITY COMPANY

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Durant Municipal Electric Plant
Durant, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Durant Municipal Electric Plant, as of and for the year ended December 31, 2012, and the related notes to the financial statements, of Durant Municipal Electric Plant's basic financial statements and have issued our report thereon dated May 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Durant Municipal Electric Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Durant Municipal Electric Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of Durant Municipal Electric Plant's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a

timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Schedule of Findings and Questioned Costs Part II, Item IIA.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Durant Municipal Electric Plant's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

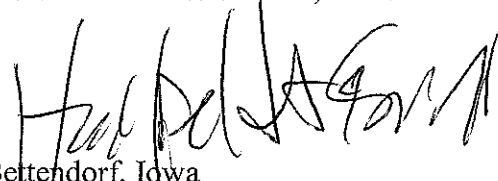
Durant Municipal Electric Plant's Response to Findings

Durant Municipal Electric Plant's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Durant Municipal Electric Plant's response was not subjected the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUCKFELDT & SMITH, P.L.C.



Bettendorf, Iowa
May 31, 2013

**Durant Municipal Electric Plant
Schedule of Findings and Questioned Costs
Year ended December 31, 2012**

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

Material Weakness

- A Segregation of Duties: - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, the posting of the cash receipts to the cash receipts journal, accounts payable, payroll and disbursements processing and postings are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Durant Municipal Electric Plant should continually review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Segregation of duties involving cash is partially unattainable due to the economic conditions under which the Municipal Electric Plant operates. However, we will continue to investigate available alternatives and implement the ones which are feasible for the Municipal Electric Plant. This is an area of ongoing concern for management and is continually monitored.

Conclusion – Response accepted.

**Durant Municipal Electric Plant
Schedule of Findings and Questioned Costs
Year ended December 31, 2012**

Part III: Other Findings Related to Statutory Requirements and Other Matters:

1. Certified Budget – For the year ended December 31, 2012 some of the line item expenditures exceeded budgeted amounts. However, total expenditures did not exceed the budgeted figure.
2. Questionable Expenses – We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense – No expenditures of Municipal Electric Plant money for travel expenses of spouses of Municipal Electric Plant officials and/or employees were noted. No travel advances to officials or employees were noted.
4. Related Party Business Transactions – No expenditures or money to any was noted.
5. Bond Coverage – Surety bond coverage of Municipal Electric Plant officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.
7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities investment policy were noted.
8. Official Depositories – A resolution naming official depositories has been approved by the Utility. The maximum deposit amount stated in the resolution was not exceeded during the year ended December 31, 2012.